

# Financial Management Practices Performance Audit Report

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## Garrett County Public Schools

September 2010

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**OFFICE OF LEGISLATIVE AUDITS**  
**DEPARTMENT OF LEGISLATIVE SERVICES**  
**MARYLAND GENERAL ASSEMBLY**

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Executive Director

**DEPARTMENT OF LEGISLATIVE SERVICES**  
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**MARYLAND GENERAL ASSEMBLY**

**Bruce A. Myers, CPA**  
Legislative Auditor

September 17, 2010

Senator Verna L. Jones, Co-Chair, Joint Audit Committee  
Delegate Steven J. DeBoy, Sr., Co-Chair, Joint Audit Committee  
Members of Joint Audit Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We conducted an audit of the financial management practices of the Garrett County Public Schools (GCPS) in accordance with the requirements of the State Government Article, Section 2-1220(e) of the Annotated Code of Maryland. GCPS is the fourth smallest public school system in Maryland based on the number of students enrolled. The educational services are delivered in 15 schools, with fiscal year 2009 expenditures of \$60.5 million. The objectives of this audit were to evaluate whether GCPS procedures and controls were effective in accounting for and safeguarding its assets and whether its policies provided for the efficient use of financial resources.

Our audit disclosed that, in many cases, GCPS had procedures and controls in place to ensure the safeguarding of assets and the efficient use of financial resources. Nevertheless, our report contains 22 recommendations to GCPS to enhance controls and to implement best practices used to improve operations in such areas as student transportation, procurement, and payroll. For example, GCPS had not established comprehensive procurement policies and certain individuals were assigned unnecessary and incompatible capabilities pertaining to the processing of vendor payments. GCPS also did not have a written policy establishing the criteria for calculating the bus contractors' table of payment rates, which included payments for the cost of the vehicle, bus driver wage rates, and fuel and maintenance cost reimbursements. Also, GCPS should establish better controls over critical information technology systems and verify dependent eligibility for employee health care programs.

An executive summary of our findings can be found on page i, immediately following this cover letter, and our audit scope, objectives and methodology are explained on page 55. GCPS' response to this audit is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during our audit by GCPS.

Respectfully submitted,

Bruce A. Myers, CPA  
Legislative Auditor

# Executive Summary

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The Office of Legislative Audits has conducted an audit to evaluate the effectiveness and efficiency of the financial management practices of the Garrett County Public Schools (GCPS) in accordance with the State Government Article, Section 2-1220(e) of the Annotated Code of Maryland. State law requires the Office to conduct such an audit of each of the 24 public school systems in Maryland and provides that the related audit process be approved by the Joint Audit Committee. Since the Committee approved the audit process in September 2004, we have issued audit reports related to 21 school systems; GCPS represents the twenty-second to date. The approved process included 11 functional areas to be audited at each system. The following are summaries of the findings in these areas at GCPS.

## Revenue and Billing Cycle (see pages 7 through 9)

According to GCPS' audited June 30, 2009 financial statements, \$56.6 million in revenue was received from all sources during fiscal year 2009, the majority of which was received via electronic fund transfers from other governmental entities. Procedures and controls for significant revenue sources and for accounts receivable were found to be adequate.

## Federal Funds (see pages 11 through 13)

Annually, GCPS is subject to an audit of its federally-funded programs (often referred to as the Single Audit, a requirement of Circular A-133, which is issued by the U.S. Office of Management and Budget). Due to parallels between that work and the scope of our audit, we placed significant reliance on the results of the independent audit of the fiscal year 2009 grant activity, for which reported expenditures totaled \$4.7 million. The related report stated that GCPS complied, in all material respects, with the requirements applicable to its major federal programs. In addition, with respect to internal controls over compliance with, and the operation of, major federal programs, the auditors reported no matters considered to be material weaknesses and no significant deficiencies.

Furthermore GCPS has processes for the identification of children eligible for Medicaid-subsidized services and for recovering the related costs. GCPS participated in the E-Rate program, which provides financial assistance to schools for telecommunications expenses.

## Procurement and Disbursement Cycle (see pages 15 through 18)

According to GCPS records, non-payroll disbursements totaled approximately \$14 million during fiscal year 2009. GCPS used existing governmental contracts as a way to obtain discounts and reduce procurement costs and had appropriate processes in place to control travel expenditures. However, GCPS needs to develop comprehensive procurement policies and ensure that goods and services are obtained through competitive procurement processes. In addition, GCPS should improve controls over its automated vendor invoice processing and payment application.

## Human Resources and Payroll (see pages 19 through 21)

GCPS employed 643 full-time equivalent employees as of October 2008, and payroll and benefit costs during fiscal year 2009 totaled \$46.5 million. GCPS uses a centralized hiring and approval process to help control payroll costs. GCPS should improve controls over its automated human resources and payroll systems. Although GCPS had implemented workforce planning for teachers and other instructional personnel, such planning was not comprehensive since it did not address the needs and processes for non-instructional personnel.

## Inventory Control and Accountability (see pages 23 through 24)

GCPS should improve its policies and procedures to ensure that accountability and control is effectively maintained for its equipment inventory. In addition, procedures for centrally monitoring textbook inventory need to be improved. According to GCPS' audited financial statements, as of June 30, 2009, the capital equipment inventory had an undepreciated cost of \$2.9 million.

## Information Technology (see pages 25 through 27)

GCPS maintains and administers a computer network, computer operations, and a number of significant administrative and academic-related information system applications. A master technology plan, which is periodically updated to address current and future school needs, has been developed. GCPS, however, needs to improve computer system access and security procedures, and develop a comprehensive disaster recovery plan.

## Facilities Construction, Renovation, and Maintenance (see pages 29 through 34)

GCPS maintains 15 schools and several other facilities (such as administration and support offices) with a staff of 48 custodial and 8 maintenance personnel. GCPS uses a comprehensive and public process to plan for construction and renovation of school facilities. Plans are long-term, updated annually, and reflect input from the Board. However, GCPS should establish a performance measurement system and an energy management program to manage its maintenance operations and control costs. GCPS should also establish formal review and approval requirements for construction change orders and establish criteria for determining when a formal evaluation of school facility usage should be initiated.

## Transportation Services (see pages 35 through 41)

GCPS is responsible for the safe transportation of approximately 4,400 eligible students, of which one percent are disabled. GCPS uses several best practices to increase the efficiency of transporting students, such as staggering school start and stop times so buses can provide multiple trips on the same day. However, GCPS should use automated routing software to help efficiently plan bus routes and develop a written policy establishing the criteria for determining bus contractor payment rates. GCPS should also reevaluate the formula used to determine fuel payments to bus contractors, because it appears to result in unnecessarily higher payments (for example, \$279,000 in school year 2008-2009). Also, GCPS should perform an analysis to determine if it is cost beneficial to continue outsourcing its

transportation services. In addition, GCPS should establish performance measures to evaluate its transportation operations.

## Food Services Operations (see pages 43 through 47)

GCPS currently uses a number of best practices in its food services operations. For example, it uses available USDA commodities and has procedures in place designed to maximize participation in the National School Meal Program. However, GCPS should improve controls over the procurement of food supplies and analyze food operations to determine whether efficiency could be improved.

## School Board Operations and Oversight (see pages 49 through 52)

The five-member Board has adopted policies governing certain operations of the Board and GCPS, and exercised oversight of financial activities through independent audits. To enhance oversight, the Board should consider establishing an internal audit function and a confidential reporting process to receive reports of possible fraud, waste, or mismanagement.

## Other Financial Controls (see pages 53 through 54)

GCPS has appropriate practices in place to govern its risk management. However, GCPS should establish sufficient controls to verify the propriety of its health care costs and develop a written cash management policy.

# Table of Contents

<b>Executive Summary</b>	i
<b>Background Information</b>	5
Oversight	5
Statistical Overview	5
External Audit of Fiscal Year 2009 Activity	6
<b>Chapter 1: Revenue and Billing Cycle</b>	7
Background	8
Controls Over Revenue and Billing Cycle Activity Were Generally Adequate for Significant Revenue Types	9
<b>Chapter 2: Federal Funds</b>	11
Background	12
GCPS Established Adequate Internal Controls Over Federal Grants and Complied With Federal Grant Requirements	12
Procedures Were in Place to Identify All Students Eligible for Medicaid Services and to Obtain Federal Cost Reimbursements	12
GCPS Participated in the Federal E-Rate Program	13
<b>Chapter 3: Procurement and Disbursement Cycle</b>	15
Background	15
GCPS Used Several Best Practices to Address Its Procurement Needs and Control Travel Costs	16
GCPS Should Develop Comprehensive Procurement Policies and Procedures	16
GCPS Had Not Established Adequate Invoice Processing and Payment Controls	17
GCPS Should Obtain Goods and Services Through Documented Competitive Procurement Processes	17
Recommendations	17

# Table of Contents

<b>Chapter 4: Human Resources and Payroll</b>	<b>19</b>
Background	19
Human Resources and Payroll Internal Controls Need to Be Strengthened	20
Workforce Planning Should Be Expanded to Include Non-Instructional Positions	21
Recommendations	21
<b>Chapter 5: Inventory Control and Accountability</b>	<b>23</b>
Background	23
Existing Controls and Procedures Over Equipment Should Be Improved	24
Textbook Tracking Procedures Should Be Enhanced	24
Recommendations	24
<b>Chapter 6: Information Technology Services</b>	<b>25</b>
Background	25
Technology Plans Were Developed to Address Current and Future Needs of GCPS	26
Steps Should Be Taken to Properly Secure IT Applications	26
GCPS Should Develop a Comprehensive Disaster Recovery Plan	27
Recommendations	27

# Table of Contents

<b>Chapter 7: Facilities Construction, Renovation, and Maintenance</b>	<b>29</b>
Background	29
A Number of Best Practices Were in Place to Enhance the Efficiency and Effectiveness of the GCPS Facilities and Maintenance Department	30
Certain Processes Should Be Implemented to Increase the Effectiveness of Maintenance and Custodial Operations	31
GCPS Should Institute Certain Controls for its Construction Program	32
GCPS Should Establish Criteria to Trigger a Formal Evaluation of School Facility Usage	33
Recommendations	34
<b>Chapter 8: Transportation Services</b>	<b>35</b>
Background	35
Several Best Practices Were in Place to Enhance Student Transportation Services	36
Bus Routing Procedures Should Be Enhanced and Routing Software Should Be Used	37
Bus Contractor Rates Paid Were Not Based on Documented Criteria	38
More Can Be Done to Help Ensure Cost-Effective Operations	39
Control Over Payments to Bus Contractors Should Be Enhanced	39
Performance Should Be Measured and Reported Regularly to the Board	40
Recommendations	40

# Table of Contents

<b>Chapter 9: Food Services Operations</b>	<b>43</b>
Background	43
Certain Best Practices Were in Place	45
Internal Controls Over Purchasing of Food Supplies Need to Be Improved	46
GCPS Should Analyze Operations to Improve Efficiency	46
Recommendations	47
<b>Chapter 10: School Board Operations and Oversight</b>	<b>49</b>
Background	49
Certain Oversight Has Been Put in Place Regarding GCPS Operations	51
The Board Should Take Additional Steps to Assist in Governance of GCPS	51
Recommendation	52
<b>Chapter 11: Other Financial Controls</b>	<b>53</b>
Risk Management Best Practices Were in Place	53
GCPS Should Take Steps to Verify the Propriety of Health Care Costs	53
GCPS Should Develop a Written Investment of Cash Management Policy	54
Recommendations	54
<b>Audit Scope, Objectives, and Methodology</b>	<b>55</b>
<b>Response of Garrett County Public Schools</b>	<b>Appendix</b>

# Background Information

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## Oversight

Garrett County Public Schools (GCPS) is governed by a local school board, consisting of five elected members and one non-voting student member. The vast majority of GCPS funding is provided by the State and the Garrett County government. In addition, the Maryland State Department of Education (MSDE) exercises considerable oversight through the establishment and monitoring of various financial and academic policies and regulations, in accordance with certain provisions of the Annotated Code of Maryland. MSDE also works with GCPS to comply with the requirements and mandates of the federal No Child Left Behind Act of 2001. Oversight by the Garrett County government is limited, although the GCPS annual operational and capital budgets require County approval.

## Statistical Overview

According to MSDE student enrollment records, GCPS is the fourth smallest school system based on student enrollment among the 24 public school systems in Maryland. From fiscal year 2000 through 2009, the total full-time regular and special education pupil population has decreased 11.3 percent from 4,989 to 4,425 with projected decreases to 4,130 by 2017. For the 2009-2010 school year, GCPS had 15 schools, consisting of 11 elementary, 2 intermediate, and 2 high schools. According to the fiscal year 2009 audited financial statements, total expenditures were \$60.5 million. The largest expenditure category is salaries and wages, including benefits, which accounted for approximately 77 percent of total expenditures during fiscal year 2009. GCPS budgeted full-time positions in fiscal year 2009 totaled 643, which consisted of 444 instructional and 199 non-instructional employees.

Certain statistical information contained in this report was taken from unaudited reports distributed by MSDE and represents the most current comparable information available at the time of our

audit. These reports are based on self-reported data from the 24 Maryland public school systems, and MSDE does not warrant the comparability or completeness of the data.

## External Audit of Fiscal Year 2009 Activity

Annually, GCPS engages a certified public accounting firm to independently audit its fiscal year-end financial statements. Additionally, the auditor conducts what is referred to as a Single Audit of GCPS federal grant programs (as required by federal regulations). The two resulting audit reports for the 2009 fiscal year were issued in September 2009. Neither report disclosed any material weaknesses or significant deficiencies on GCPS record keeping, processes, and controls.

# Chapter 1

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## Revenue and Billing Cycle

According to GCPS' audited financial statements for the fiscal year ended June 30, 2009, \$56.6 million of revenue was received by GCPS during fiscal year 2009. Due to similarities between the work of the independent certified public accounting firm that audited GCPS financial statements and the scope of our audit in this area, we placed significant reliance on the results of the audit of the fiscal year 2009 financial statements for revenue transactions, including State, local, and federal sources and other sources of revenue (such as student activity fund cash receipts of \$1.2 million), and for accounts receivable (for example, amounts due from other governments). The firm's procedural review and testing disclosed no material weaknesses<sup>1</sup> and no significant deficiencies.<sup>2</sup> Such testing included the most significant revenue types—the majority of which related to electronic fund transfers from other government entities, as well as school activity funds and food service cash receipts.

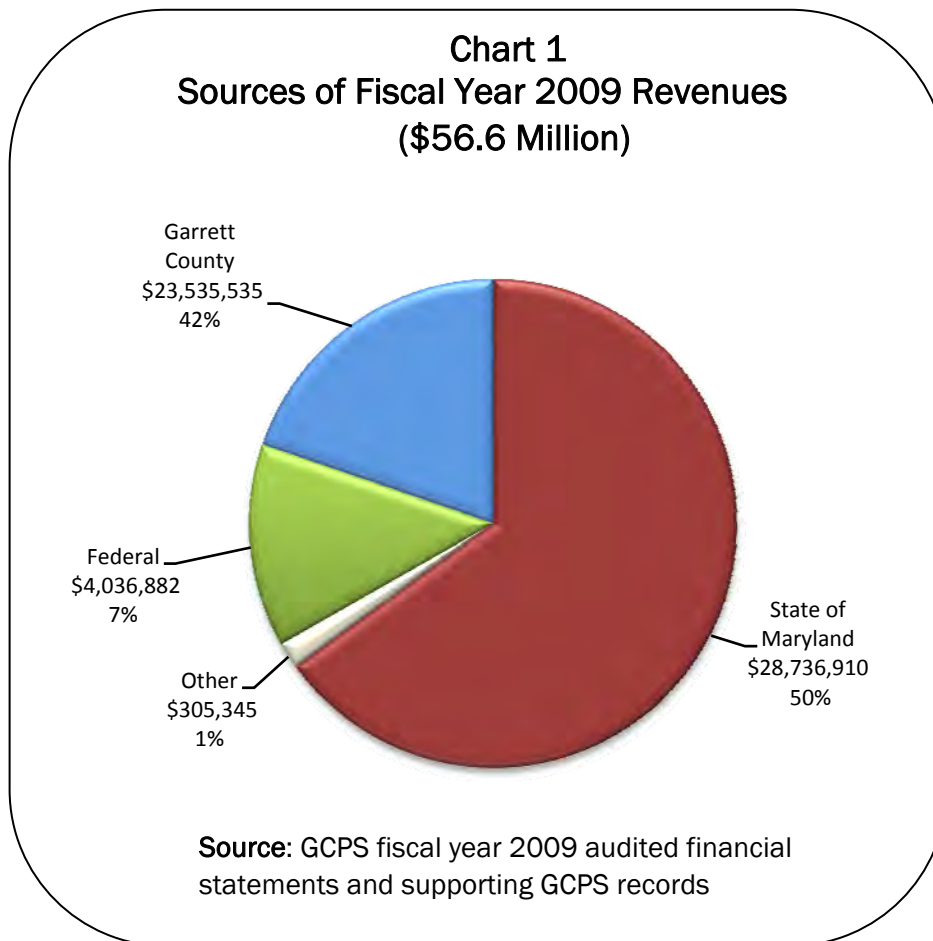
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<sup>1</sup> A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements (or, with respect to Single Audit, material noncompliance with a type of compliance requirement of a federal program) will not be prevented or detected by an entity's internal control.

<sup>2</sup> A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. With respect to Single Audit, a significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

## Background

GCPS revenues consist primarily of funds received from the State, Garrett County, and the federal government. Other sources include receipts from the sale of food, facility rentals, and interest income. Chart 1 (see below) shows the breakdown of GCPS fiscal year 2009 revenues of \$56.6 million by major source.



In addition to the revenues in Chart 1, schools also collected funds for various purposes, such as student activity groups including yearbook and student activity funds.<sup>3</sup> These school activity funds are accounted for separately by each school and are reported in summary in the audited financial statements. According to the

<sup>3</sup> The Board has a fiduciary responsibility to ensure that the school activity fund is used only for intended purposes by those to whom the assets belong. Receipts for the school activity fund are not included in the \$56.6 million revenue total because the Board cannot use these assets to finance its operations.

audited financial statements, fiscal year 2009 school activity fund receipts totaled \$1.2 million, and the June 30, 2009 balance was \$566,430.

## Controls Over Revenue and Billing Cycle Activity Were Generally Adequate for Significant Revenue Types

Due to similarities between the work of the independent certified public accounting firm that audited the GCPS financial statements and the scope of our audit in this area, we placed significant reliance on the results of the independent audit of the fiscal year 2009 financial statements. The auditor's procedural review and testing disclosed no material weaknesses or significant deficiencies regarding the collection of accounts receivable or revenues from local, State, federal and other sources (such as food service operations), including electronic fund transfer transactions. Student activity funds and cafeteria cash operations were also audited by the firm, including a review of internal controls and bank account reconciliations. The independent auditors identified no material weaknesses or significant deficiencies over these funds.

## Recommendations

None



# Chapter 2

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## Federal Funds

Annually, GCPS is subject to an audit of its federally funded grant programs (often referred to as the Single Audit, and required by Circular A-133, which is issued by the U.S. Office of Management and Budget). The report on the audit of fiscal year 2009 federal grant activity was issued by an independent certified public accounting firm on September 29, 2009.

In that report, the auditor stated that GCPS complied, in all material respects, with the requirements applicable to its major federal grant programs. In addition, with respect to internal controls over compliance with, and the operation of, major federal programs, the auditors noted no matters considered to be material weaknesses and no significant deficiencies.

GCPS had established an adequate procedure to identify children eligible for Medicaid-subsidized<sup>4</sup> services, and had adequate procedures to ensure that the related Medicaid reimbursements were actually received. GCPS also participated in the federal E-Rate program, which provides discounts for school systems related to telecommunications and Internet access.

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<sup>4</sup> The Federal Medical Assistance Program, or Medicaid, is not a grant program under Circular A-133 and is not included in the Single Audit.

## Background

GCPS receives funds primarily from the State, Garrett County, and the federal government. Most funds received from Garrett County and from the State are unrestricted; however, federal funds are generally restricted for use for a specified program (such as the School Lunch Program or Special Education). According to the audited Schedule of Federal Awards, fiscal year 2009 expenditures of federal award funds totaled \$4.7 million.

## GCPS Established Adequate Internal Controls Over Federal Grants and Complied With Federal Grant Requirements

Because of the accounting firm's work on GCPS federal fund expenditures, we relied on the auditor's results. Besides expressing an opinion on GCPS compliance with the terms of several grant programs, the auditor also considered the existing internal control structure's impact on compliance and audited the fiscal year 2009 required Schedule of Federal Awards (which includes claimed and reported grant-related expenditures). In its report dated September 29, 2009, the firm stated that GCPS complied, in all material respects, with the requirements applicable to its major federal grant programs. In addition, with respect to internal controls over compliance with, and the operation of, major federal programs, the auditors noted no material weaknesses and no significant deficiencies.

## Procedures Were in Place to Identify All Students Eligible for Medicaid Services and to Obtain Federal Cost Reimbursements

GCPS had established adequate processes in place to identify students eligible for Medicaid-subsidized services and to recover the related costs. GCPS used listings from the Maryland Department of Health and Mental Hygiene of children whose families were participating in Medicaid to identify eligible students. The lists were regularly compared to the GCPS student information system to identify newly-eligible students and to establish the continued eligibility for previously identified students. In addition

GCPS ensures that all services provided are billed and costs are recovered. According to GCPS records, total Medicaid payments received for FY 2009 were \$374,754.

## GCPS Participated in the Federal E-Rate Program

GCPS had a process in place to request and receive reimbursement for technology expenditures from the federal School and Libraries Universal Service Program (E-Rate). GCPS received \$130,199 in federal E-Rate funding for fiscal year 2009. The E-Rate program provides funding to schools for telecommunications expenses (such as, Internet access). The funding is based on the level of poverty and the rural status of the school district.

## Recommendations

None



# Chapter 3

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## Procurement and Disbursement Cycle

GCPS often used existing governmental contracts (referred to as “piggybacking”) as a way to obtain discounts and reduce procurement costs and had established policies and procedures to control travel costs. However, GCPS needs to develop comprehensive procurement policies. In addition, GCPS needs to improve controls over its automated vendor invoice processing and payment application. In this regard, numerous employees were assigned incompatible system capabilities, including the ability to post payment transactions, add vendors, and print checks. Also, goods and services were not always obtained through a competitive bidding process.

## Background

GCPS uses an automated system for purchasing goods and services and for processing and paying the related invoices. Requisitions are manually prepared by departments and are subject to supervisory approval within the requesting departments. Purchase orders, contracts, solicitations, and bids are usually handled by the finance office with the exception of construction and other facility related acquisitions. Purchases of goods over \$25,000 are required to be formally bid, and are required to be approved by the area supervisor and the Director of Finance. In addition, contracts over \$25,000 are to be publicly bid and approved by the Board.

The ordering department or school documents the receipt of goods and services by signing a receiving report, which is forwarded to the accounting department where an employee ensures that the purchase order, packing slip, and invoice are in agreement. Vendor payments are then processed on the automated system by the finance department. According to GCPS records, non-payroll disbursements totaled \$14 million during fiscal year 2009.

## GCPS Used Several Best Practices to Address Its Procurement Needs and Control Travel Costs

GCPS had instituted certain best practices to enhance the cost effectiveness of its procurements. These include “piggybacking” onto contracts already procured by the State and other local governments, and participating in cooperative purchasing organizations. These practices saved GCPS certain costs associated with the procurement of the contracts and may provide larger discounts because of the combined purchasing power of multiple entities.

Furthermore, GCPS had established adequate policies and procedures to control employee travel costs, including requirements that all travel reimbursements be approved by supervisors, that expenses be documented with itemized receipts, and that expenses, such as meals and mileage, be subject to certain limits. Travel expenditures for fiscal year 2009 totaled approximately \$400,000 according to GCPS records.

## GCPS Should Develop Comprehensive Procurement Policies and Procedures

GCPS’ policies did not adequately address the majority of procurements that it made. Specifically, while GCPS had developed formal procurement policies to address the acquisition and approval of architectural and engineering services and food purchases, it had not developed such policies for any other types of goods and services. For example, although we were advised that, for these other types of purchases, Board approval was generally required for contracts over \$25,000, this requirement was not specified in GCPS policies. Comprehensive procurement policies should, at a minimum, specify the acceptable procurement methods (such as

sealed bidding, sole source) for all types of procurements, when contracts should be in writing, the mandatory contract provisions and the related approval requirements, such as Board approval.

## GCPS Had Not Established Adequate Invoice Processing and Payment Controls

GCPS had not established adequate controls over its automated invoice processing application. Specifically, we noted that eight employees had been assigned system capabilities that allowed them to perform critical incompatible functions (such as entering and posting payment transactions, adding vendors, authorizing the disbursement of funds, and printing checks). As a result, improper or erroneous transactions could be processed without detection.

## GCPS Should Obtain Goods and Services Through Documented Competitive Procurement Processes

Our test of seven procurements of goods and services (each over \$25,000) totaling \$939,000 disclosed deficiencies related to four procurements. Specifically, there was no Board approval for two procurements totaling \$123,855, one procurement totaling \$33,437 was not competitively bid, and one procurement totaling \$48,505 was not publicly advertised. In addition, for one of these four procurements, GCPS did not have a written contract. Rather, the vendor had been providing these services (trash removal) for the prior 12 years without such services and related costs being rebid or reevaluated for cost effectiveness. Payments to the vendor totaled approximately \$50,000 during fiscal year 2009.

## Recommendations

1. GCPS should develop procurement policies that address all categories of goods and services purchases, and specify the procurement methods to be used, when contracts should be in writing, the mandatory contract provisions and the approval requirements, including when Board approval is required (for example, procurements over a specified amount).

2. GCPS should improve controls over invoice processing by segregating incompatible functions and assigning critical system functions to only those employees who need the capabilities to perform their job duties.
3. GCPS should obtain goods and services through a properly documented competitive procurement process. If a competitive procurement process is not deemed appropriate (such as when only one vendor can provide the required services), then documentation justifying the decision should be maintained.

# Chapter 4

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## Human Resources and Payroll

GCPS uses automated systems to maintain human resources information, to record employee time and track leave, and to process and record payroll transactions. In addition, GCPS uses a centralized hiring and approval process to help control payroll costs. However, GCPS should address certain procedural deficiencies with respect to payroll processing. These deficiencies included the assignment of unnecessary and incompatible system capabilities to certain personnel on the GCPS payroll system and the lack of supervisory review of certain payroll transactions. Additionally, although GCPS had implemented workforce planning, it did not address the needs and processes for employees other than teachers and related instructional positions.

### Background

Payroll costs represent the largest single cost component in the GCPS budget. According to GCPS records for fiscal year 2009, salary, wage, and benefit costs totaled \$46.5 million. As of October 2008, GCPS had 643 full-time equivalent employees, of which 199 (31 percent) were non-instructional. The 6.9 to 1 ratio of GCPS students to full-time equivalent employees (both instructional and non-instructional) is similar to other similarly sized school systems (see Table 1 on the following page).

GCPS uses an automated integrated human resources and payroll system to maintain human resources information, record employee time, and track leave usage. The system automatically generates

biweekly time records, and any adjustments are processed by central payroll personnel. The system generates payroll checks and direct deposit advices. Payroll processing involves both automated processes (such as compiling leave and running edit reports) and manual processes (such as data entry of new employee information).

**Table 1**  
**Comparison of Student to Employee Ratios – Fall 2008 (Unaudited)**

School System	Number of Students (as of September 30, 2008)	Number of Full-Time Equivalent Employees (as of October 1, 2008)	Student to Employee Ratio
Garrett Co.	4,425	643	6.9 to 1
Talbot Co.	4,419	607	7.3 to 1
Caroline Co.	5,513	781	7.1 to 1
Dorchester Co.	4,560	696	6.6 to 1
Somerset Co.	2,912	475	6.1 to 1

Source: MSDE 2008-2009 Fact Book, MSDE Student /Staff Publications

Note: School systems selected for comparison are those with student enrollments closest in number to GCPS.

## Human Resources and Payroll Internal Controls Need to Be Strengthened

GCPS did not establish adequate internal control over its automated human resource and payroll system and related processes.

- Seven employees had been assigned certain incompatible human resources and payroll system capabilities, as well as capabilities that were not required for their job responsibilities. These critical human resources and payroll functions included adding and deleting employees, changing employee salaries, entering time and attendance information, preparing checks, and preparing the electronic file for direct deposits. As a result, improper or erroneous transactions could be processed without detection.

- Information (such as leave, employee data, and salary) and transactions processed each pay period were not independently reviewed or approved after initial recordation. This could allow for inaccurate adjustments or unauthorized payments to employees.

## Workforce Planning Should Be Expanded to Include Non-Instructional Positions

Although GCPS had implemented workforce planning for instructional positions, GCPS should expand its workforce planning efforts to include non-instructional positions. As of June 30, 2009 24 percent of GCPS 668 employees are currently eligible to retire. Approximately 34 percent of GCPS employees are non-instructional. The GCPS Master Plan sets the strategic direction and provides coordination and focus for initiatives to address challenges faced by GCPS. The Plan includes a number of objectives and strategies to address human resource needs—which is evidence of workforce planning. However, it addresses only the recruitment and retention of highly-qualified instructional staff (that is, teachers and certain instructional aides).

Non-instructional positions play a key role in the ultimate success of GCPS in providing quality education and, therefore, should be included in workforce planning.

## Recommendations

4. GCPS should improve controls over the human resources and payroll system by segregating incompatible functions and assigning critical system functions to only those employees who need the capabilities to perform their job duties. In addition, GCPS should ensure that all critical payroll-related transactions and information recorded in the system are reviewed and approved, at least on a test basis, by an employee independent of the payroll processing function using supporting documentation.
5. GCPS should expand its workforce planning to include key non-instructional positions in critical operational units.



# Chapter 5

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## Inventory Control and Accountability

Our audit disclosed that GCPS has developed written procedures and policies for the acquisition and disposal of assets. However, GCPS could improve its controls and procedures which govern accountability over its equipment inventory. Additionally, GCPS should enhance its procedures over tracking textbook inventories.

### Background

According to GCPS audited financial statements, as of June 30, 2009, the undepreciated cost of capital equipment was \$2.9 million. Equipment items include computers, audio and video items, and various other items. All furniture and equipment items with a cost of \$500 or greater are to be included in the inventory records. Generally, GCPS orders materials and supplies on an as-needed basis and does not maintain a central inventory location.

## Existing Controls and Procedures Over Equipment Should Be Improved

There was an inadequate separation of duties between custody and physical inventory responsibilities. Specifically, even though an employee at each school was responsible for conducting annual physical inventories, we were advised that these employees allowed the equipment custodians (the teachers) to account for those items in their custody. Furthermore, GCPS did not verify the accuracy of the inventory counts reported by the employees, as recommended by the Government Finance Officers Association. As a result, assurance was lacking that the physical inventory counts were accurate.

## Textbook Tracking Procedures Should Be Enhanced

While GCPS had established formal procedures for selecting and purchasing textbooks, the processes established to maintain a comprehensive inventory of textbooks need improvement. Textbooks are inventoried within the individual schools; however, no centralized process existed for tracking overall inventory levels, to assess accountability at the individual schools and to ensure that excess textbooks are redistributed among the schools before making new purchases. During fiscal years 2008 and 2009, textbook expenditures totaled approximately \$858,000 according to GCPS records.

## Recommendations

6. GCPS should separate inventory custody and physical inventory responsibilities, or independently verify, at least on a test basis, the accuracy of the completed equipment inventory counts performed by the equipment custodians.
7. GCPS should enhance existing procedures governing textbook accountability by maintaining a comprehensive, centralized inventory, and using the results of textbook physical inventories to monitor accountability by the schools and to ensure that excess books are redistributed among schools before purchasing new textbooks.

# Chapter 6

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## Information Technology Services

GCPS maintains and administers a computer network, with Internet connectivity, which connects the individual schools' local networks to the computer resources located at the GCPS central offices.

GCPS has established a written technology plan, which includes a comprehensive assessment of the technical needs of the schools. The plan provides a vision and mission for technology in GCPS and includes measurable goals and objectives.

However, we identified several areas in need of improvement. GCPS needs to strengthen its policies and procedures over passwords and accounts, and data back-up. GCPS should monitor security events involving critical servers, improve physical security for the server room, and develop a comprehensive disaster recovery plan.

## Background

GCPS operates a wide area network connecting the various schools within Garrett County. The GCPS Resource Center maintains and administers the GCPS network, the financial management information application, and other general computer operations. The GCPS student information system is hosted and maintained by a contractor.

## Technology Plans Were Developed to Address Current and Future Needs of GCPS

GCPS has developed a written technology plan, which includes a comprehensive assessment of the technology needs of the schools. The plan identifies each school's information technology (IT) needs and the actions to be taken to address those needs. The plan also includes measurable goals and objectives, and addresses professional development and IT related budgets. The plan is periodically updated and monitored for implementation status of identified actions.

## Steps Should Be Taken to Properly Secure IT Applications

### **Improvements are needed to improve security over data**

**and programs** – Our review disclosed several deficiencies in computer security which increased the vulnerability of certain GCPS automated systems, programs, and data. Enhancements should be made to existing procedures to ensure that controls over computer resources are appropriate. For example, for one critical application, automatic password expirations and minimum password length (to make the passwords more difficult to hack) were not enforced; for one critical server, password expirations were also not enforced. In addition, logging and reporting of security events for a critical server was not enabled. Furthermore, IT employees were unnecessarily assigned certain capabilities that allowed them to modify critical data and production files (such as payroll data). Finally, GCPS did not obtain an independent audit report of controls over the outsourced student information system.

### **Physical security of computer resources and data backups**

**should be improved** – The GCPS servers were stored in open areas or in unlocked rooms. Furthermore, although critical back-up files were created, some of those files were stored in the same room. Accordingly, critical data might be lost if the facility was destroyed in a disaster.

## GCPS Should Develop a Comprehensive Disaster Recovery Plan

GCPS did not have a disaster recovery plan (DRP) for its computer systems. Specifically, GCPS had made no provision for the following critical elements of a DRP:

- Alternate site processing arrangements
- Current and complete list of required hardware and software components
- Current and complete network restoration procedures
- Current and complete list of applications prioritized for recovery
- Procedures for testing the DRP

## Recommendations

8. GCPS should implement appropriate security measures to safeguard its applications and data systems by improving password protection, enabling logging and reporting of all critical security events, and eliminating unnecessary access to critical programs and data files. In addition, GCPS should obtain from the contractor an independent audit report of controls over the outsourced student information system, and review the report to ensure controls are properly designed and operating effectively. GCPS should also establish adequate physical controls and safeguards for its computer rooms, and store backup copies of data from critical servers at an appropriate secure offsite location.
9. GCPS should develop and implement a comprehensive disaster recovery plan.



# Chapter 7

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## Facilities Construction, Renovation, and Maintenance

GCPS uses a comprehensive and public process to plan for construction and renovation of school facilities. Six-year plans are prepared and updated annually, and reflect input from the Board. GCPS has followed a number of best practices that should enhance project results and cost effectiveness in its Facilities, Maintenance and Operations Department.

Nevertheless, for its maintenance and custodial operations, GCPS had not established formal performance measures and related benchmarks, and had not developed a comprehensive energy management plan to reduce energy costs. Also, construction change orders were only approved by the director of the aforementioned department, and a written agreement was not executed with an organization that funded part of a school renovation. Finally, GCPS had not established criteria for determining when a formal evaluation of school facility usage should be initiated.

## Background

GCPS maintains 15 schools and other administrative and support offices with a staff of 48 custodial and 8 maintenance personnel. GCPS uses a six-year Capital Improvement Plan (CIP) to identify ongoing and projected needs for new buildings and major renovations.

Table 2 below compares GCPS fiscal year 2008 plant costs (that is, maintenance and operational costs) with other similarly sized school systems in Maryland. The table presents two measures used to assess plant costs: cost per student and cost per square foot. The statistics for these two measures are in line with its peer group. However, square footage per student is somewhat higher than most other peer schools.

<b>Table 2</b> <b>Plant Cost Comparison Per Student and Per Square Foot</b> <b>Fiscal Year 2008 (Unaudited)</b>					
School System	Plant Costs			Square Footage Per Student	Total Gross Square Footage
	Total	Per Student <sup>❶</sup>	Per Square Foot		
Garrett Co.	\$4,707,008	\$1,043.68	\$5.89	177.2	799,176
Talbot Co.	5,004,539	1,138.43	7.24	157.1	690,787
Somerset Co.	3,582,104	1,230.96	7.16	171.9	500,178
Dorchester Co.	4,548,517	977.33	5.48	178.4	830,410
Caroline Co.	4,244,012	750.09	5.10	147.1	832,272
Average of Comparable Schools	\$4,344,793	\$1,024.20	\$6.25	163.6	713,412

Sources: MSDE Financial Data, MSDE Fact Book, Maryland Public School Construction Square Footage Data (most recent data available)

❶ - Based on Average Daily Enrollment 2007-2008

## A Number of Best Practices Were in Place to Enhance the Efficiency and Effectiveness of the GCPS Facilities and Maintenance Department

GCPS has instituted several best practices to enhance project results and cost effectiveness in its Facilities, Maintenance and Operations Department.

- GCPS utilizes value engineering to help control construction costs during the various phases of the design process of a project. Specifically, value engineering uses an independent architect, engineer, or a similar expert in the design and construction of facility projects to identify potential cost savings by using alternative materials and design elements.

- GCPS conducts monthly Administrators and Supervisors meetings which are chaired by the Superintendent and attended by all directors and school principals. The Director of Maintenance, Operations, and Facilities attends and participates in each of these meetings, providing information related to maintenance of the system's facilities and receiving feedback directly from the school principals. This information is used in planning for upcoming maintenance operations and is a form of customer feedback.
- GCPS participates in a consortium with other school systems and local governments to purchase energy at the best possible terms for the members of the consortium.
- GCPS prepares an annual facilities master plan specifying renovation needs that is approved by the Board, the Maryland Department of Planning, and MSDE.
- The size of the GCPS custodial staff was determined by using established industry standards.

## Certain Processes Should Be Implemented to Increase the Effectiveness of Maintenance and Custodial Operations

**GCPS should develop a performance measurement system that establishes standards and expectations for maintenance and custodial operations** – GCPS had not implemented a performance system to measure and assess the efficiency of its maintenance and custodial operations, both for internal self-evaluation purposes and for comparisons with other systems. Comparability with other systems in Maryland could not necessarily be done unilaterally since there would need to be a consensus on the measures and methodology; however, other states (for example, Michigan, Florida, and Minnesota) have established measures and benchmarks (such as maintenance expenditures per square foot) to assist their school systems in the evaluation of costs and practices.

**A comprehensive energy management program to control energy costs was not in place** – GCPS does not have a comprehensive energy management program to control energy costs. Such a program is an accepted industry best practice and includes goals, strategies, and measures to determine program success (such as reducing total energy use by a stated percentage). The effectiveness of an energy management program was demonstrated in another Maryland school system that had an eight percent decrease in energy use per square foot after implementing an energy program. Energy use within individual GCPS schools was not monitored, and we noted that GCPS did not use any school incentive programs to encourage energy conservation. In this regard, we found some school systems that, as an incentive to conserve, allow dollars saved by individual schools to be used by them in other areas (such as instruction). Finally, the last energy audit of the school system was completed in 2003, and no in-house or external audits have been performed since then. Expenditures for heat and electricity for FY 2009 were budgeted at \$1.5 million.

## **GCPS Should Institute Certain Controls for its Construction Program**

**A policy for Board approval of significant construction change orders was not established** – Change orders for construction projects were not reviewed or approved by the Board. Specifically, during our review of the renovation of one school, we identified 59 change orders totaling \$557,000 that were only reviewed and approved by the Director of the Facilities, Maintenance and Operations Department. None of those change orders were reviewed or approved by a higher authority (such as the Superintendent or the Board) not directly involved in the construction process. Although construction contracts exceeding \$25,000 are to be approved by the Board, due to the lack of a policy, it is unclear whether change orders exceeding that amount should also be approved. Since changes to project scope and work can significantly affect contract costs, change orders for construction projects should be subject to a similar approval requirement.

**GCPS did not execute a written agreement with an organization that provided substantial funding for a school renovation** – An organization that used part of a school during school hours for its programs agreed to fund part of that school’s renovation. Ultimately, the organization paid for \$2.44 million of the school’s \$5.8 million renovation costs. However, a written agreement between GCPS and the organization to protect and clarify the rights and responsibilities of the parties was not executed, as required by State law.

Such alternative financing is authorized by State law as relates to public school construction, with the law requiring County government approval for such projects. However, there was limited documentation that the Garrett County government formally approved the project or was aware of all significant aspects of the project, such as the amount of funding to be provided by the non-profit organization. The only evidence of County government involvement was its approval of the GCPS budgets, which included costs for the project; there was no documentation that indicated County approval of the public/private financing for a significant portion of the construction costs.

## **GCPS Should Establish Criteria to Trigger a Formal Evaluation of School Facility Usage**

GCPS had not established criteria (such as percentage of capacity used, enrollment trends) for determining when a formal evaluation of school facility usage should be initiated. As of September 30, 2009, GCPS had four schools that were being used at less than 70 percent of State-rated capacity, including three elementary schools that were being operated at 31 percent, 45 percent, and 56 percent of rated capacity. Total enrollment at these three elementary schools in September 2009 was 233 students, and the total capacity of these three schools was 521 students. In addition, GCPS’s overall enrollment has declined in each of the past ten years and it is predicted to continue dropping through 2018. However, a formal evaluation of facility usage had not begun until after our fieldwork primarily due to the need to address budgetary issues. Nevertheless, in view of the history of declining enrollment and the enrollment projections, GCPS may have benefitted from having identified earlier, based on objective criteria, the need to pursue school closings and consolidations.

## Recommendations

10. GCPS should develop a performance measurement system that establishes standards and expectations for maintenance and custodial operations, and report the results to the Board. In addition, GCPS should develop a written energy management plan that establishes energy efficiency goals, monitors energy goals, and provides corrective actions in facilities where the energy management system is less effective. Furthermore, GCPS should consider implementing a school incentive program to encourage lower energy usage.
11. GCPS should establish policies for construction contract change orders that have review and approval requirements similar to construction contracts (for example, Board approval for change orders over \$25,000). In addition, GCPS should execute written agreements with organizations that provide funding for construction projects. Finally, GCPS should adequately document county government approval for construction projects funded under alternate financing methods as required by law, and ensure all substantive details of the projects are provided to the county government when seeking the approval.
12. GCPS should establish criteria for determining when to initiate a formal evaluation of school facility usage.

# Chapter 8

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## Transportation Services

GCPS used a number of recognized best practices to increase student transportation efficiency. These practices include combining elementary, middle and high school bus runs to take advantage of their close proximity and avoid sending multiple buses, providing transportation services only to students not within safe walking-distance and limiting the number of miles paid to bus contractors for miles driven with no students on the bus (deadhead miles).

In several areas, improvements should be made in an effort to reduce GCPS' transportation costs. For example, GCPS did not use automated routing software to help efficiently plan bus routes. Also, GCPS did not have a written policy establishing the criteria for determining bus contractor payment rates. Furthermore, the methodology used to reimburse the bus contractors for fuel usage appears to result in higher payments than necessary (for example, excess fuel payments of \$279,000 for the 2008-2009 school year). In addition, GCPS had not conducted any recent documented cost benefit analysis of its decision to outsource student transportation services and had not developed formal performance measures to monitor and evaluate the efficiency and effectiveness of transportation services.

## Background

GCPS is the fourth smallest school system in Maryland based on student enrollment. Approximately 4,400 students are eligible for student transportation. GCPS students were transported on a fleet

of 77 buses owned by 55 contractors that were hired by the school system. Fiscal year 2009 transportation costs totaled \$4 million. Of the 1,114,664 reported route miles for the 2008-2009 school year, five percent were for transporting disabled students.

Table 3 below shows that the GCPS cost per rider and cost per mile are higher than three of the four similarly sized school systems.

<b>Table 3</b> <b>Comparison of Transportation Costs per Rider and per Mile</b> <b>Fiscal Year 2008 (Unaudited)</b>							
School System	Number of Eligible Riders		Miles (in thousands)		Expenditures (in thousands)	Average Annual Cost per	
	Non-Disabled	Disabled	Non-Disabled	Disabled		Rider	Mile
Garrett Co.	4,413	45	1,069	70	\$3,893	\$873	\$3.42
Talbot Co.	2,838	13	595	27	2,540	891	4.08
Dorchester Co.	4,370	81	829	123	2,950	663	3.10
Caroline Co.	4,712	87	949	216	3,515	732	3.02
Somerset Co.	2,832	77	668	110	2,270	780	2.92
Average of Similarly Sized School Systems	3,688	65	760	119	\$2,819	\$767	\$3.28

Sources: MSDE 2007-2008 Fact Book

## Several Best Practices Were In Place to Enhance Student Transportation Services

The GCPS transportation department used several practices to enhance bus operations:

- Combining elementary, middle, and high school students on the same bus to take advantage of the close proximity of the schools and to avoid sending multiple buses
- Assigning bus routes to drivers based on their proximity to the routes to reduce the number of miles driven with no students on the bus (deadhead miles)
- Providing transportation services only to students residing outside the limits specified for walking to school or when the conditions for walking are not considered safe

## Bus Routing Procedures Should Be Enhanced and Routing Software Should Be Used

### **Bus routing procedures should be more comprehensive –**

GCPS needs to better document processes used to plan, review and revise bus routes, and ensure that such processes include all appropriate factors. Specifically, GCPS does not have adequate documented procedures that instruct routers on how to plan, review, and revise bus routes. The existing procedures provide only a general guideline for routing and do not establish documented policies for related areas, such as bus loads (capacity) and maximum student ride times.

**GCPS should use automated routing software –** GCPS did not use its electronic routing software to assist in developing efficient bus routes. Recognizing the potential benefits of an electronic routing system, GCPS had previously purchased routing software; however, usage of the software was discontinued because GCPS believed that the software was not adequate and it was easier to manually formulate and update routes.

Using routing software is a recognized best practice that can be used to reduce the time it takes to design efficient routes, reduce student ride time, and help ensure that routes minimize the number of buses needed to transport students. In addition, the use of routing software can automate current manual processes, such as electronically developing routes. Therefore, GCPS should explore acquiring a new routing software product, if the current version does not suffice.

It is current GCPS practice to use existing bus routes and then make changes on an as-needed basis versus periodically reviewing routes for efficiency. GCPS primarily relies on the knowledge of transportation department employees to develop bus routes. This practice could also have a potentially negative impact on route efficiency. Our analysis of GCPS' 2008-2009 bus stop forms prepared by bus drivers, which listed the number of students at each stop on given days, disclosed that, on 42 of the 105 routes,

the buses were operated, on average, at 70 percent of GCPS capacity.<sup>5</sup> For example, on 18 of the 42 routes, student capacity was less than 40 percent. Implementation of the electronic routing system could help in the development of more efficient bus routes and assist in the periodic evaluation of routes. For example, another Maryland school system advised that implementation of automated routing software resulted in estimated savings of \$45,000 annually.

## Bus Contractor Rates Paid Were Not Based on Documented Criteria

GCPS does not have a written policy establishing the criteria for calculating the bus contractor payment rates, which included an annual per vehicle allotment, bus driver wage rates, maintenance and fuel costs per mile, and auxiliary fixed costs per bus. GCPS personnel advised us that the bus rates were generally increased each year by a percentage over the prior year's rates without any specific analysis of the costs for each bus contractor pay element. GCPS had no policy to specify the method for establishing the various rates and no documentation to substantiate the rates actually used.

In general, GCPS selects bus contractors based on certain qualifications, including past performance, and the bus contracts renew annually automatically for the life of the bus. GCPS assumes nearly all of the risks for bus operations while essentially guaranteeing a profit to the contractors each year for the life of each bus. Specifically, contractors are paid a per vehicle allotment each year, which is designed to cover the depreciation cost of the bus and provide a return on investment for the contractor's investment in the bus. In addition, the contractors receive a per-mile rate for operating and maintenance costs (which includes fuel costs), a driver per-hour payment to cover the contractor's labor costs, and an annual administrative cost payment. GCPS also pays for the liability insurance, including personal injury, property damage, and medical coverage, for all contractor buses.

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<sup>5</sup> Like other LEAs, GCPS uses a lower capacity rate than the manufacturer's stated bus capacities. For example, GCPS determined the capacity for high, middle, and elementary schools routes at 48, 50, and 72 respectively based on 72 passenger buses (manufacturer stated capacity).

## More Can Be Done to Help Ensure Cost-Effective Operations

### **Contractor pay for fuel usage appeared excessive – GCPS**

pays contractors for fuel usage using an assumed miles per gallon (mpg) rate, which is substantially below industry standards. Specifically, GCPS uses 4.8 mpg when determining the fuel cost reimbursement paid to bus contractors with large buses; virtually all of the buses used by GCPS bus contractors are large buses. However, the American School Bus Council reported that the national average usage for a large school bus with a diesel engine is 7 mpg. GCPS advised that the 4.8 mpg rate dates back to when GCPS used less fuel-efficient gasoline buses. GCPS bus contractors now use diesel buses, and GCPS advised us that the 7 mpg appears more reasonable. This factor alone indicates a possible 45 percent overpayment for fuel. In addition, GCPS has been paying an additional 20 percent for fuel usage for certain routes without documented justification. If contractor fuel payments were calculated using 7 mpg instead of the factors used by GCPS, the payments would have been lower (for example, \$279,000 less during school year 2008-2009).

### **Periodic cost benefit analysis should be performed – GCPS**

had not formally reevaluated its decision to have a bus fleet owned by contractors. GCPS believes that a contractor-owned fleet is beneficial due to the up-front capital outlay needed to buy buses, the cost to operate maintenance shops, and the personnel-related costs (such as healthcare) associated with an in-house fleet. However, experiences in other states and Maryland school systems have found that an in-house fleet, or even a mixture of an in-house and outsourced fleet, may be more cost beneficial.

## Control Over Payments to Bus Contractors Should Be Enhanced

GCPS did not ensure the accuracy of certain payments to the bus contractors. At the beginning of each school year, the contractors' drivers complete a manifest, which includes the total time and miles driven on each route. GCPS uses the data recorded on these manifests to calculate the bus driver wages and maintenance and fuel cost components of the monthly payments to the contractors. While GCPS performed observations each year for half the routes,

which included documenting the time and mileage of the route, it did not compare for accuracy the data from its observation to the data reported by the contractors. Our test of 10 bus routes did not disclose any significant discrepancies.

## Performance Should Be Measured and Reported Regularly to the Board

GCPS did not have a formal performance measurement system for its transportation services. Performance measures that could be developed and reported regularly to the Board include ridership compared to bus capacity, transportation cost per student, bus operating costs per mile, and number of accidents. This data should also be used to provide ongoing monitoring of performance and ensure overall accountability. The Government Finance Officers Association recommends that program and service performance measures be developed and used as an important component of long-term strategic planning and decision making.

## Recommendations

13. GCPS should better document all procedures used to determine bus routes, including all appropriate factors that comprise the route planning process, and should use routing software to help ensure efficient services.
14. GCPS should establish a written policy on how components of the bus contractor's table of rates are to be determined each year. GCPS should maintain documentation that shows each year how the rates were determined.
15. GCPS should reevaluate the methodology used to reimburse bus contractors for fuel usage to determine whether the related rates are reasonable. In addition, GCPS should periodically prepare a documented analysis to determine whether continued use of outside contractors to provide student bus services is, in fact, cost beneficial for the school system.

16. GCPS should use its observations of bus route times and distance to ensure that the applicable payments to contractors accurately reflect the actual bus services provided.
17. GCPS should develop a performance measurement system for transportation services, and periodically report the results to the Board.



# Chapter 9

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## Food Services Operations

GCPS has implemented a number of best practices to help reduce food service costs, such as participation in the United States Department of Agriculture (USDA) commodity program. GCPS also has adequate procedures in place to identify students eligible for free and reduced-price meals under the federal National School Meals Programs. However, GCPS should improve internal controls over the procurement of food supplies. In addition, GCPS should analyze its food service operations to determine if opportunities for cost savings exist through outsourcing and if additional efficiencies in operations can be obtained.

## Background

GCPS has 15 schools, 7 with base kitchens and 8 with satellite kitchens. GCPS has 26 full-time and 29 part-time cafeteria employees as of August 2009. Food Service revenues during fiscal year 2009 totaled approximately \$2.4 million. According to the audited financial statements, food service operation expenditures exceeded revenues by \$258,660 for fiscal year 2009. See Table 4 on the following page regarding fiscal year 2009 GCPS food services.

**Table 4**  
**Food Service Activity for Fiscal Year 2009**

Average cost per meal \$ 3.20

Number of meals served

**Breakfast**

Paid	63,137	
Free	65,214	
Reduced Price	25,150	
		153,501

**Lunch**

Paid	190,175	
Free	182,614	
Reduced Price	81,424	
		454,213

**Meal Equivalents**

A La Carte Meal	232,248	
Snacks	2,258	
		234,506

**Total Meals Served**

842,220

Schools	15
Full Kitchens	7
Full-time Employees	26
Part-time Employees	29

Revenues

Federal

Cash Payments	\$1,019,187	
USDA Commodities	129,722	
		\$1,148,909
Sales and other sources		1,195,158
State aid		89,716

Total Revenue (all sources) \$2,433,783

Total Expenditures 2,692,443

Excess of Expenditures over Revenues \$ (258,660)

Source: GCPS Fiscal Year 2009 Audited Financial Statements, MSDE 2009 data,  
and GCPS data

## Certain Best Practices Were in Place

**GCPS has implemented several practices to improve food service operations** – These measures helped to both increase operational efficiency and reduce food supply and material costs.

- GCPS participated in the United States Department of Agriculture (USDA) commodities program, which is a free food program. According to GCPS records, \$129,722 in USDA commodities was received in fiscal year 2009.
- To better predict food purchase needs, GCPS used USDA standard serving sizes and recipes.
- GCPS has implemented a program to reduce the amount of food waste and give students greater flexibility in choosing what to eat. Specifically, on a daily basis, cafeteria managers prepare reports that compare the number of servings prepared with the number of servings left over. These reports are analyzed and can be used as a guide to estimate how much should be prepared for future meals.

**GCPS used several best practices to encourage participation in the free and reduced-price meal programs**

– These practices included the use of a family application process (instead of individual student applications) to simultaneously qualify more students for the free or reduced-priced meal programs. GCPS also used an automated point-of-sale system in cafeterias which helps to prevent easy identification of participating students, thereby reducing any stigma associated with participating in the program. For fiscal year 2008, 85 percent of GCPS students eligible to receive free lunches and 74 percent of the students eligible to receive reduced-price lunches actually participated in the programs, which were comparable to the averages of similarly sized school systems.

## Internal Controls Over Purchasing of Food Supplies Need to Be Improved

Our test of 10 fiscal year 2009 purchases totaling \$38,400 from five vendors, disclosed that, for 3 invoices totaling \$11,850, we found that the invoices were paid without documentation of the receipt of the goods. Consequently, there was no assurance that the purchased goods were actually received.

## GCPS Should Analyze Operations to Improve Efficiency

GCPS Food Services does not participate in any food purchasing cooperatives, and has not recently performed any type of cost analysis to determine if participation in such an organization would be cost beneficial. Additionally GCPS Food Services has not performed any type of formal analysis of in-house productivity or cost-analysis of outsourcing functions, such as labor or food storage.

For the 2008-2009 school year, we noted that 8 out of the 15 GCPS schools that prepared food fell significantly below industry guidelines<sup>6</sup> and, in one school, the meals per labor hour (6.7) was significantly below the 20 meals per labor hour cited in those guidelines.

Based on data compiled by MSDE, during fiscal year 2008, GCPS had a cost per meal of \$3.83, which is \$1 higher than the average of similar-sized LEAs and \$.69 higher than the Statewide average. Contracting out certain food service functions, participating in food purchasing cooperatives and increasing the meals per labor hour by reducing staffing levels or hours worked could help to reduce the cost per meal, and possibly allow GCPS' food services to operate without a deficit.

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<sup>6</sup> Industry guidelines for GCPS-sized cafeterias are based on the publication *Cost Control for School Foodservices*, Third Edition, by Dorothy Pannell-Martin, revised July 2000.

## Recommendations

18. GCPS should improve controls over its purchase of food supplies by ensuring that goods paid for were actually received.
19. GCPS should evaluate and analyze cost benefits relating to outsourcing and participation in any available purchasing cooperatives. In addition, GCPS should review its food service operations to determine if additional efficiencies can be achieved.



# Chapter 10

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## School Board Operations and Oversight

Generally, the Board has adequate policies to govern the operations of the school system. The Board meets periodically with the certified public accounting firm to review the results of the audits of the annual financial statements, the school activity fund, and federal funds. In addition, the Board is actively involved in the development of the GCPS annual budget.

To further assist its governing efforts, the Board should consider establishing an internal audit function and a confidential hotline to enable employees and others to report operational concerns and suspected fraud, waste, and mismanagement.

## Background

GCPS is governed by a five-member board (excluding the one student member) elected by the voters of Garrett County. The Board does not have an established committee structure due to its size and generally acts in whole to carry out its oversight duties. To assist in its oversight function, the Board has contracted with an independent auditor to conduct certain audits. The Board is ultimately accountable for the success of the GCPS in providing the children of Garrett County with a quality education, while wisely spending local, State, and federal funds. Following is the GCPS Board's stated goals, according to the GCPS website:

### **Goals for the Garrett County Public Schools**

In order to effect the mission of the Garrett County Public Schools, the Garrett County Board of Education establishes the following school goals:

1. To provide safe, orderly, and drug-free environments;
2. To provide consistently applied discipline which promotes among the students basic standards of courtesy, including respect for themselves, parents, school personnel, others, and their school and community;
3. To provide learning experiences which promote the acquisition of knowledge, thinking, and problem solving abilities of students and to prepare them to continue their education and to pursue a career;
4. To provide all students with rigorous and sequential courses of studies, delineating specific content and academic skills to be taught at each level;
5. To ensure that all students are well-grounded in the basic academic skills with emphasis on application of reading, writing, and mathematics;
6. To provide intensive reading instruction in which students learn decoding strategies, including phonetic analysis, while the students' reading comprehension skills are developed;
7. To hold all students to high levels of academic achievement, including appropriate grade level expectations for the use of proper grammar, spelling, punctuation, speech, and penmanship, in all subject areas;
8. To expect every student, to the greatest extent possible, to perform at or above grade level in all academic subjects; and
9. To provide the structure and environment for students, parents, community members, teachers, administrators, and other professional and support staff to work together to achieve these goals.

## Certain Oversight Has Been Put in Place Regarding GCPS Operations

The GCPS Board uses a number of methods to oversee the operations of GCPS.

- The Board hires an independent certified public accounting firm to perform audits of its financial statements, federally funded grant programs and student activity funds, and annually meets with that firm to review the results.
- The Board receives and discusses detailed budget and expenditure information as part of the budget approval process.
- The Board adopted a detailed conflict of interest policy that covers Board members and employees.

## The Board Should Take Additional Steps to Assist in Governance of GCPS

### **The Board should consider establishing an internal auditor**

**function** – GCPS does not have an internal auditor. The use of an internal auditor, independent of school system management, is a recommended best practice of the Government Finance Officers Association (GFOA). The GFOA notes that internal auditors commonly assist directors in monitoring the design and proper functioning of internal controls and procedures, and can play a valuable role in conducting performance audits, special investigations, and studies. As cited in this report, our audit identified certain deficiencies in the GCPS system of internal control, such as procedures over disbursements. While GCPS may determine it is unable to afford the additional costs for a full-time internal audit position based on its size (as the fourth smallest of all 24 public school systems in Maryland), it should determine if such a position could be shared with other local Boards. Alternatively, the Board could consider expanding the scope of work performed by its independent auditor (similar to the work done by the auditor for student activity funds as commented upon in Chapter 1).

### **The Board should consider establishing a confidential**

**hotline** – We noted that a confidential hotline had not been implemented to enable employees and others to report suspected fraud, waste, or mismanagement. If such a process was established, the internal audit position could conduct the initial investigations of information received via the hotline or direct the information to appropriate officials, such as law enforcement.

## **Recommendation**

20. The Board should enhance its oversight of GCPS operations by considering the establishment of an internal audit function and a hotline for the confidential reporting of operational issues and suspected fraud, waste, and mismanagement.

# Chapter 11

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## Other Financial Controls

This chapter addresses the management of cash, risk, health care costs, and long-term debt such as lease-purchase agreements and issues not addressed elsewhere. GCPS is not permitted to issue bonds or other long-term debt instruments to finance capital or operational needs. However, GCPS had not established sufficient controls to ensure the propriety of health care costs or developed a written cash management policy.

## Risk Management Best Practices Were in Place

For risk management, GCPS primarily uses commercial insurance. The school system purchases workmen's compensation insurance from the Injured Workers' Insurance Fund. Other risks, such as property coverage are addressed through the purchase of commercial insurance.

## GCPS Should Take Steps to Verify the Propriety of Health Care Costs

GCPS obtains health insurance for employees, retirees, and their dependents through the Garrett County government plan. According to GCPS records, health insurance payments totaled \$5.8 million in fiscal year 2009. However, GCPS did not take certain actions that could help contain health care costs. Specifically, GCPS did not have a process in place to verify the authenticity of program participants' listed dependents.

According to recommended practices published by the GFOA, health care cost containment is a critical component of long-term financial planning and budgeting. The GFOA recommends the establishment of a cost containment program.

## GCPS Should Develop a Written Investment of Cash Management Policy

The notes to the fiscal year 2008 audited financial statements stated that all except \$100,000 of GCPS' \$7.6 million bank balance at June 30, 2008 was exposed to custodial credit risk. This amount was not insured by the Federal Deposit Insurance Corporation (FDIC) and, although fully collateralized by securities held by the pledging financial institutions' custodians, the collateral was not held in the Board's name, as the GFOA recommends.

As of June, 2009, the GCPS bank balance of \$7.2 million was fully protected by FDIC insurance, according to the GCPS' audited financial statements. The GCPS deposits were protected by a temporary FDIC program that provides unlimited insurance coverage to low-interest accounts. Since this temporary program is scheduled to expire on December 31, 2010, GCPS should develop a cash management or investment policy to help ensure that its cash is adequately insured or collateralized.

## Recommendations

21. GCPS should verify the authenticity of health care program participants' listed dependents.
22. GCPS should adopt a formal policy concerning cash investments in accordance with GFOA best practices recommendations.

# Audit Scope, Objectives, and Methodology

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## Scope

We conducted a performance audit to evaluate the effectiveness and efficiency of the financial management practices of the Garrett County Public Schools (GCPS). We conducted this audit under the authority of the State Government Article, Section 2-1220(e) of the Annotated Code of Maryland and performed it in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Objectives

We had two broad audit objectives:

1. To evaluate whether the GCPS procedures and controls were effective in accounting for and safeguarding its assets
2. To evaluate whether the GCPS policies provided for the efficient use of financial resources

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. Our audit approach, including the specific objectives of our local school system audits, was approved on September 14, 2004 by the Joint Audit Committee of the Maryland General Assembly in accordance with the enabling legislation. As

approved, the audit objectives excluded reviewing and assessing student achievement, curriculum, teacher performance, and other academic-related areas and functions. We also did not review the activities, financial or other, of any parent teacher association, group, or funds not under the local board of education's direct control or management. Finally, we did not evaluate the GCPS Comprehensive Education Master Plan or related updates.

## Methodology

To accomplish our objectives, we reviewed applicable State laws and regulations pertaining to public elementary and secondary education, as well as policies and procedures issued and established by GCPS. We also interviewed personnel at GCPS, the Maryland State Department of Education (MSDE), and staff at other local school systems in Maryland (as appropriate).<sup>7</sup> Our audit procedures included inspections of documents and records, and observations of GCPS operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives, generally for the period from July 1, 2008 through June 30, 2009. For our audit work on revenue and federal grants, we primarily relied on the results of an independent audit of fiscal year 2009 activity.

In addition, we contacted a number of other state auditors' offices and legislative program evaluation agencies that had a history of conducting audits or reviews of local school systems. We interviewed those officials and inspected their work programs and resultant reports to identify specific audit techniques and operational practices at schools that could be adapted for our school system audits. Finally, we used certain statistical data—including financial and operational—compiled by the MSDE from various informational reports submitted by the Maryland local school systems. This information was used in this audit report for background or informational purposes, and was deemed reasonable. For comparison purposes, information provided was generally limited to those Maryland school systems of similar sizes, based on student enrollment and/or system budget. In many cases, this information was self reported by the school systems. The data were neither audited nor independently verified by us. Finally, information provided in this report was obtained from various reports readily available during our fieldwork.

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<sup>7</sup> During the course of the audit, it was necessary to contact other systems to identify policies or practices for comparative purposes and analysis.

## **Other Independent Auditors**

When developing the approach for the audits of school system financial management practices, a consideration was the reliance on the work of other independent auditors to the extent practicable to avoid unnecessary duplication of audit effort. With respect to GCPS, the results of other auditors that we considered were reported in three distinct audit reports: one related to the administration of its federal grants; second, the management letter from the audit of its financial statements audit; and third, independent audits of the school activities and cafeteria funds.

During the course of this audit, we relied on these results. We performed certain steps to satisfy ourselves as to the reliability of the reported results of the independent federal grants audits of the GCPS federal financial assistance programs for compliance with federal laws and regulations and the GCPS financial statement and school activity and cafeteria funds audits. Accordingly, we significantly reduced the scope of our work in Chapter 1 “Revenue and Billing Cycle,” and in Chapter 2 “Federal Funds.”

## **Limitations of Internal Control**

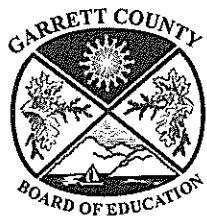
GCPS management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

In addition to the conditions included in this report, other less significant findings were communicated to GCPS that did not warrant inclusion in this report.

## Fieldwork and GCPS Responses

We conducted our fieldwork from May 2009 to November 2009. The GCPS response to our findings and recommendations is included as an appendix to this report.



Wendell Teets, Ed. D., Superintendent

## APPENDIX

### BOARD OF EDUCATION OF GARRETT COUNTY

40 South Second Street  
Oakland, Maryland 21550

(301) 334-8900  
(301) 895-3163  
fax: (301) 334-7621  
<http://www.ga.k12.md.us/>

September 16, 2010

Mr. Bruce A. Myers, CPA  
Legislative Auditor  
Office of Legislative Audits  
Maryland General Assembly  
301 West Preston Street, Room 1202  
Baltimore, MD 21201

Dear Mr. Myers:

Enclosed are the responses to the recommendations made in the Financial Management Practices Performance Audit Report for Garrett County Public Schools issued August 2010.

If you have any questions regarding the submission, please do not hesitate to call me.

Sincerely,

A handwritten signature in black ink, appearing to read "Wendell Teets", written over a horizontal line.

Wendell Teets, Ed. D  
Superintendent

wt/ab

Enclosure

cc: Donald D. Forrester, President, Garrett County Board of Education  
Ervin L. Fink, Executive Director of Administration, Garrett County Public Schools

### **PROCUREMENT & DISBURSEMENT CYCLE**

**Recommendation 1** - GCPS should develop procurement policies that address all categories of goods and services purchases, and specify the procurement methods to be used, when contracts should be in writing, the mandatory contract provisions and the approval requirements, including when Board approval is required (for example, procurements over a specified amount).

**Response** - GCPS will develop a formal comprehensive Board approved procurement policy and administrative procedure. The policy and procedure will include guidelines for procurement of items under the state established threshold for competitive bidding, instances where sole source procurements are appropriate, and level of purchases requiring Board approval. Purchasing guides from other Boards of Educations as well as that from the Garrett County Commissioners will be used to assist in this process. The newly created position of Director of Finance shall serve as the Procurement Officer. This should be completed prior to the end of the 2010-2011 fiscal year.

**Recommendation 2** - GCPS should improve controls over invoice processing by segregating incompatible functions and assigning critical system functions to only those employees who need the capabilities to perform their job duties.

**Response** – GCPS has already restricted the number of employees that have access to adding vendors. None of the Finance Office secretaries or the Financial Coordinator has the authorization to approve requisitions or to create purchase orders. Other functions have been limited to those employees who need the capabilities to perform their duties.

**Recommendation 3** - GCPS should obtain goods and services through a properly documented competitive procurement process. If a competitive procurement process is not deemed appropriate (such as when only one vendor can provide the required services), then documentation justifying the decision should be maintained.

**Response** - GCPS shall adhere to the procurement policy and administrative procedure as developed under Recommendation 1 under the direction of the new Procurement Officer. Documentation will be maintained if a competitive procurement process is deemed not appropriate or where only one vendor can provide the required services.

### **HUMAN RESOURCES AND PAYROLL**

**Recommendation 4** - GCPS should improve controls over the human resources and payroll system by segregating incompatible functions and assigning critical system functions to only those employees who need the capabilities to perform their job duties. In addition, GCPS should ensure that all critical payroll-related transactions and information recorded in the system are reviewed and approved, at least on a test basis, by an employee independent of the payroll processing function using supporting documentation.

**Response** – GCPS will segregate human resources and payroll operations as much as possible. All salaries and rates of pay are established by Human Resources and furnished to Finance. Actual payroll records must be reconciled back to Human Resource documents. GCPS will have someone independent of the payroll processing function to review and approve payroll on at least a test basis.

**Recommendation 5** - GCPS should expand its workforce planning to include key non-instructional positions in critical operational units. Work will begin on this planning in the 2010-2011 fiscal year.

**Response** – GCPS agrees with this finding. There is a need for reviewing all positions within the district as they are all critical in our ability to operate with high quality and efficiency. The workforce planning goal will be to ensure that the workforce needs are examined and that we develop a plan to address gaps between our needs and our current status.

### **INVENTORY CONTROL AND ACCOUNTABILITY**

**Recommendation 6** - GCPS should separate inventory custody and physical inventory responsibilities, or independently verify, at least on a test basis, the accuracy of the completed equipment inventory counts performed by the equipment custodians.

**Response** - GCPS already has some independent checks in place to verify inventories. The finance office verifies that all purchases of \$5,000 or more have been added to the inventory. The Facilities Department will begin doing actual inventory verifications throughout the year at all locations. Deletions from inventory require documentation by school administration. GCPS shall consider the purchase of a bar code inventory system which will allow a computerized inventory of all fixed assets. In addition, the Facilities Department will begin a more stringent independent inspection of the individual schools to verify actual locations of fixed assets. Inventory verifications will begin during the 2010-2011 fiscal year.

**Recommendation 7** - GCPS should enhance existing procedures governing textbook accountability by maintaining a comprehensive, centralized inventory, and using the results of textbook physical inventories to monitor accountability by the schools and to ensure that excess books are redistributed among schools before purchasing new textbooks.

**Response** – GCPS will implement procedures governing textbook accountability that will assure that a centralized inventory exists to enhance redistribution in lieu of purchasing new textbooks.

### **INFORMATION TECHNOLOGY**

**Recommendation 8** - GCPS should implement appropriate security measures to safeguard its applications and data systems by improving password protection, enabling logging and reporting of all critical security events, and eliminating unnecessary access to critical programs and data files. In addition, GCPS should obtain from the contractor an independent audit report of controls over the outsourced student information system, and review the report to ensure controls are properly designed and operating effectively. GCPS should also establish adequate physical controls and safeguards for its computer rooms, and store backup copies of data from critical servers at an appropriate secure offsite location.

**Response** - We have upgraded the password policies to require 180 day password changes and require a more complicated password. Multiple failed attempts will lock out the account.

We will do some testing of logging and reporting of security events to make sure it doesn't impact performance. We make every attempt to only allow access to the files needed for the individuals to perform their duties.

We have obtained a copy of the SAS70 report (pertaining to the handling of our student information system data [PowerSchool]) ; review of the document shows that our data is housed by Savis, Inc. The controls for our data are very comprehensive, meet our needs and were independently audited for the period 10/1/08-9/30/09 by Ernst and Young on 11/11/09. We have plans for moving all equipment into a fenced cage area which will be kept locked when not being accessed. This will be completed during the 2010-2011 fiscal year.

**Recommendation 9** - GCPS should develop and implement a comprehensive disaster recovery plan.

**Response** – GCPS will develop a disaster recovery plan for the data processing systems. Work will begin on the disaster recovery plan during the 2010-2011 fiscal year.

### **FACILITIES, CONSTRUCTION, RENOVATION, AND MAINTENANCE**

**Recommendation 10** - GCPS should develop a performance measurement system that establishes standards and expectations for maintenance and custodial operations, and report the results to the Board. In addition, GCPS should develop a written energy management plan that establishes energy efficiency goals, monitors energy goals, and provides corrective actions in facilities where the energy management system is less effective. Furthermore, GCPS should consider implementing a school incentive program to encourage lower energy usage.

**Response** - GCPS will review industry standards for developing performance measurements for the maintenance and custodial staff to determine the best measuring system for Garrett County. GCPS agrees that an energy management plan should be established to better meet efficiency goals. GCPS is presently doing two things to help with the cost of utilities. The first is that GCPS is a member of the Frederick CO-OP for electricity. This gives us a great rate which is established for at least three years out. GCPS is also in the process of negotiating a contract with Johnson Controls Inc. to perform an energy audit.

**Recommendation 11** - GCPS should establish policies for construction contract change orders that have review and approval requirements similar to construction contracts (for example, Board approval for change orders over \$25,000). In addition, GCPS should execute written agreements with organizations that provide funding for construction projects. Finally, GCPS should adequately document county government approval for construction projects funded under alternate financing methods as required by law, and ensure all substantive details of the projects are provided to the county government when seeking the approval.

**Response:** GCPS will develop a policy that will require that during a construction project that all change orders must be signed by the Superintendent or a designee not involved in the construction process. All change orders of \$25,000 or more must be approved by the Board of Education. The policy will be completed and implemented during the 2010-2011 fiscal year.

GCPS shall execute a written agreement with any organization that is providing substantial funding for a school construction or renovation project. We will also document County government approval for all construction projects using alternative financing and will ensure that all substantive details of the projects will be provided to the County government when seeking approval.

**Recommendation 12** - GCPS should establish criteria for determining when to initiate a formal evaluation of school facility usage.

**Response** – GCPS evaluates all school facilities annually in 24 different areas and also gives each facility an overall ranking in physical condition. A capacity utilization rate is established each year by calculating the actual enrollment against the state rated capacity provided by the State. This information is provided each year to the Board of Education in the Facilities Master Plan. Other information that must be considered in closing a school is staffing costs, operating costs, transportation issues, community concerns, and the overall financial impact of operating the school upon the school system. GCPS believes that all of this information should be furnished to the BOE on annual basis but that the BOE has to evaluate all the information and make the final determination if a school facility should be considered for consolidation. The Board of Education will need to determine if a policy to determine when a formal evaluation of school facility usage based upon enrollment and building capacity should be developed.

## **TRANSPORTATION SERVICES**

**Recommendation 13** - GCPS should better document all procedures used to determine bus routes, including all appropriate factors that comprise the route planning process, and should use routing software to help ensure efficient services.

**Response** – GCPS will explore and consider the advantages of a routing software system. Until a routing system is purchased, factors that will be considered in the planning stages will be to maximize the ridership of buses and to maintain acceptable times for bus schedules. GCPS student data system has the capability to report student address of residence with a map display which will be used to assist in determining appropriate routing.

**Recommendation 14** - GCPS should establish a written policy on how components of the bus contractor's table of rates are to be determined each year. GCPS should maintain documentation that shows each year how the rates were determined.

**Response** - GCPS will initiate a yearly review of the Bus Contractors Table of Rates. To aid in this process, GCPS will follow these procedures:

GCPS will conduct an analysis of how each Maryland LEA calculates its Table of Rate for bus contractors which includes the PVA.

Once GCPS determines the best model for Garrett County, we will document the details of the GCPS methodology.

Documentation will be maintained showing how each year's rates are determined.

**Recommendation 15** - GCPS should reevaluate the methodology used to reimburse bus contractors for fuel usage to determine whether the related rates are reasonable. In addition, GCPS should periodically prepare a documented analysis to determine whether continued use of outside contractors to provide student bus services is, in fact, cost beneficial for the school system.

**Response** – Beginning with the 2010-2011 fiscal year, GCPS will reimburse for fuel on the basis of 6.5 mpg for diesel fuel. Garrett utilizes a lower mpg than the national average because of cold temperatures and idling. The school system will reevaluate the 20% grade factor that is currently added to the mileage reimbursements. GCPS will gain input from Thomas Bus Company and International Bus Company to determine the appropriateness of this add-on based upon our climate and terrain.

GCPS will gain input from other Maryland counties in analyzing the cost of operating with outside contractors compared with county owned buses. In the future, GCPS will consider an outside independent agency to conduct a study to help us determine the most efficient system.

**Recommendation 16** - GCPS should use its observations of bus route times and distance to ensure that the applicable payments to contractors accurately reflect the actual bus services provided.

**Response** – GCPS will verify bus contractor manifests to assure that they accurately reflect the actual bus services provided. In the absence of a GPS system, confirmation of time and mileage will be conducted during drive evaluation/observation. Documenting manifests will begin during the 2010-2011 fiscal year.

**Recommendation 17** - GCPS should develop a performance measurement system for transportation services, and periodically report the results to the Board.

**Response** – GCPS will develop a performance measure for transportation. These reports to the Board of Education will begin in the 2010-2011 fiscal year.

### **FOOD SERVICES OPERATION**

**Recommendation 18** - GCPS should improve controls over its purchase of food supplies by ensuring that goods paid for were actually received.

**Response** – GCPS does attempt to obtain multiple bids for food supplies; however, Garrett County is a rural county where it is not always possible to receive multiple bids for all products. There is only one dairy that serves Garrett County. We will investigate the possibility of whether this meets the requirement of a sole source item. We will make sure that all invoices sent to the central office for payment are signed by the manager or PIC verifying receipt.

**Recommendation 19** - GCPS should evaluate and analyze cost benefits relating to outsourcing and participation in any available purchasing cooperatives. In addition, GCPS should review its food service operations to determine if additional efficiencies can be achieved.

**Response** – We will investigate the possibility of joining the Maryland Co-op in November when the Co-op accepts new members as well as the Pittsburgh Schools Co-op. We have reduced staff when possible as positions turnover. The geographic make-up of Garrett County in having smaller schools than the state average will always impact our efficiency in the number of meals produced per hours. Our food cost for 2009-2010 decreased by 9% from 2008-2009.

### **SCHOOL BOARD OPERATIONS AND OVERSIGHT**

**Recommendation 20** - The Board should enhance its oversight of GCPS operations by considering the establishment of an internal audit function and a hotline for the confidential reporting of operational issues and suspected fraud, waste, and mismanagement.

**Response** – The establishment of a Director of Finance position should assist the Board of Education in its oversight of GCPS operations. GCPS will also consider the hiring of a part-time person as needed outside the school system to perform further audit functions; however, it cannot take priority over needed resources for students during this economic environment. GCPS will consider and research creating a fraud hotline and will draft an employee whistleblower protection policy. Should a fraud hotline be created, there will be formal follow-up procedures.

**OTHER FINANCIAL CONTROLS**

**Recommendation 21** - GCPS should verify the authenticity of health care program participants' listed dependents.

**Response** – Since the legislative audit was conducted, a national healthcare plan has been enacted and beginning in the 2011-2012 fiscal year, new guidelines will have to be implemented regarding the definition of eligible dependents in order to comply with the federal legislation. A Dependent Eligibility audit will not be completed until the federal legislation regarding dependent eligibility has been implemented. Implementation will not occur until the 2011-2012 fiscal year.

**Recommendation 22** - GCPS should adopt a formal policy concerning cash investments in accordance with GFOA best practices recommendations.

**Response** – GCPS agrees with the need for a formal policy governing cash investments. A new Director of Finance position has been created and that new director will provide leadership in the development of this policy during the 2010-2011 fiscal year.

## **AUDIT TEAM**

**Stephen C. Pease, CPA**  
Audit Manager

**Stephen P. Jersey, CPA, CISA**  
Information Systems Audit Manager

**J. Alexander Twigg**  
Senior Auditor

**Edwin L. Paul, CPA, CISA**  
Information Systems Senior Auditor

**Kevin J. Mercer**  
**Tracy D. Ross**  
**Ryan P. Stecher**  
Staff Auditors

**John C. Venturella**  
Information Systems Staff Auditor